

February 28, 2011

Congressman Edward J. Markey

Ranking Member

Committee on Natural Resources

Dear Congressman Markey,

I am writing today to address your letter sent to Mr. Robert Abbey, the Director of the Bureau of Land Management, dated February 25, 2011. In this letter you have asked several questions of the BLM concerning liabilities that may be passed on to the American Taxpayer. In addition you have questioned Public Safety concerns regarding well sites under the BLM's control.

For a period of one year I have been in contact with the New Mexico State office of the BLM and have had numerous correspondences with New Mexico's Farmington Field Office (FFO) on similar issues addressed in your letter. My comments (in red) below are based on information I have pulled from data bases, letters that I have received from the BLM, research, practical field experience, and field audits. All of my comments can be verified and are well documented. Mr. Jim Dumont of Senator Bingaman's office has been assisting me in my efforts. My comments only address current conditions in the BLM's Farmington Field Office. In order to streamline my comments I will first post excerpts from your letter or the GAO report and then list my comment in red.

**Excerpt from your request letter:**

Today, the Government Accountability Office (GAO) released a report analyzing the Bureau of Land Management's (BLM) policies for managing nonproducing or **abandoned oil and gas wells on public land**. The analysis raises serious questions as to whether BLM has the proper policies in place to protect American taxpayers and the environment. As President Obama and the Congress work to reduce our national deficit, we must ensure that taxpayers are not left responsible for the costs of remediating oil and gas wells on public lands.

**Currently there is a backlog of 700 abandoned wells in the BLM's Farmington Field Office (FFO). Just two years ago there were approximately 2200 abandoned wells. However, the GAO report does not include this data in its report. Page 13 of the GAO report states the following:**

<sup>19</sup>Pub. L. No. 109-58, § 349(b) (2005), *codified at* 42 U.S.C. § 15907. EPA 2005 also requires the program to remediate, reclaim, and close abandoned wells. Because BLM defines abandoned wells as those which have been properly plugged and have had final reclamation completed but have not been

approved by the surface managing agency or those properly plugged that have not completed final reclamation, the agency has not included those wells in the program, and we do not discuss abandoned wells in this report.

Reclaiming the surface of an Abandoned well site costs between \$16,500.00 to \$50,000.00, this is based on a sampling of 800 wells. Therefore, the liability for 2200 abandoned wells has the potential to cost the American Taxpayer \$110,000,000.00, in the Farmington, NM area alone. This potential currently exists in the Farmington Field Office. Not to mention that exclusion of abandoned wells in the analysis eliminates the largest costs that could be passed on to the American Taxpayer. This situation may or may not be representative of all Field Offices; moreover, only a further inquiry and field audits will determine.

In an effort to eliminate the backlog of Abandoned wells in the FFO the BLM has been addressing approximately 75 wells per month. The list of 2200 is now 700 or less in count however, field audits illustrate that this backlog is being eliminated with a rubber stamp. The Final Abandonment Notices for these wells are being signed off and accepted by the BLM without the final reclamation being performed or any documentation of reclamation progress from the operator. In essence, the BLM, to this point, is passing on future legacy costs to the American Taxpayer knowingly and willingly. This may or may not represent other BLM field offices; however, if it is representative the American Taxpayer will pick up the tab.

I am currently working with the BLM's District Manager Dave Evans to address some of the issues. Past History suggests that the BLM is going to be less than forthcoming; however, I am giving the opportunity to Mr. Evans to properly address the issues and hold the operators responsible for their actions.

#### Requested items from your letter:

1. Please provide a list of the oil and gas companies holding leases for wells on BLM land that has not produced in seven or more years, the number of such leases held by each company, and the date the wells last produced.

Asking for this information is will not include the data for the Abandoned wells. Abandoned wells may represent the single greatest potential for loss to the American Taxpayer. You should be asking for the data on Abandoned wells specifically. The GAO did not catalog or analyze this data and may need to spend more time on the analysis.

2. GAO reports that, according to BLM officials, "idle wells have the potential to create environmental, safety, and public health hazards if they fall into disrepair." Does the BLM require companies holding idle wells to inspect those wells? Does BLM inspect those wells? If so, how often do these inspections occur?

**Operating well sites currently pose public safety hazards. I have informed the Operator, the BLM, and NMOSHA of the conditions. No corrections of the hazards have been made to the sites as of this date. Page 9 of the GAO report states the following:**

In reviewing the APD, BLM (1) evaluates the operator's proposal to ensure that the proposed drilling plan conforms to the land use plan and applicable laws and regulations and (2) inspects the proposed drilling site to determine if additional site-specific conditions must be addressed before the operator can begin drilling. After BLM approves a drilling permit, the operator can drill the well and begin production.<sup>7</sup>

**Nothing is further from the truth. The BLM does not care if the operator is operating within the rules, laws, standards or orders. Operators are not required to comply with the BLM's 9113 Road Manual, Operators are not required to comply with the OSHA requirements, Operators are not required to comply with On Shore Order #1, the Gold Book, nor the New Mexico Pit Rule. Per the New Mexico State Director of The BLM, Linda Rundell, "The BLM does not act as a clearing house for assuring compliance with other agency requirements." Therefore, the BLM ignores any and all public safety hazards on public lands. I have attached my recent letter sent to NMOSHA. The BLM believes that it should rely on other agencies and the operators to ensure that public hazards do not exist on public lands. NMOSHA is not interested in performing their function for the workforce and other agencies state agencies are heavily influenced not to take action. This may or may not represent Dave Evans view of the world; however, it does represent the State Director's (Linda Rundell's) view.**

3. What actions is the BLM taking to require companies that have idle wells on public land to properly reclaim those wells?

**This entire process has not been transparent to the public. Obtaining accurate records is difficult at best, impossible at worst. Dave Evans of the FFO has committed to producing an action plan that addresses the tasks, timeframes and milestones that will be used to correct the deficiencies concerning final reclamation, interim reclamation, and road construction. This Action Plan is due on March 4, 2011. We are waiting optimistically waiting to see the plan and action that follows. Of course, it will not address orphaned or idle wells. Excusing the operators from their duties in the interim reclamation activities and road construction standards also cost the Taxpayer dearly. As a farmer I must put up with massive erosion, poor roads construction, dust, and contamination.**

4. Have any leaks been detected from idle wells on public lands? If so, when were those leaks detected, what was the size of those leaks and what actions were taken to stop the leaks?

**I have documented leaks on wells currently in operation. These are new wells and do not belong in the legacy category. These leaks have been ignored. I will also attach my correspondence with the BLM on these issues.**

5. According to the GAO, BLM has paid \$3.8 million over the last 20 years to reclaim 295 wells for which there is no responsible company, referred to as “orphaned wells.” BLM has identified 144 orphaned wells that have not yet been reclaimed. What is the projected cost to taxpayers of reclaiming these 144 wells? If there are nearly twice as many idle wells as have been identified by BLM, how could that affect future costs to taxpayers?

**A little math illustrates that the BLM claims that it costs \$12,881.00 to plug a well and perform the final reclamation. This suggested cost represents only 50% of the cost that will be realized for the reclamation alone. This does not even include the plugging process, stripping of equipment, and removal of lines, drips, and reclamation of long access roads. The figures used are a pipe dream at best.**

6. According to the GAO, the minimum bond amounts for oil and gas companies were set in the 1950's and 1960's, have not been updated, and may not be sufficiently high to serve as a proper incentive for companies to plug and reclaim wells. BLM regulations require that bond amounts be increased for oil and gas companies that have previously failed to properly reclaim a well within the last five years. Please provide a list of companies that have required BLM to make a claim on a bond within the last five years. For those companies, please indicate whether bonding requirements increased on subsequent drilling permits and, if so, by how much. If bonding requirements were not increased for any of these companies, please indicate why they were not increased and whether BLM now intends to increase such bonding requirements.

**You first have to write an Incident of Non-compliance (INC) to the company to document the failure of the operator to perform its duty. If the BLM is not writing the INC no record exists; therefore, the operator has performed by simply receiving a pass from the BLM (DUTY FULFILLED). The FFO claims that 700 abandoned well are currently on record. Many of these wells were plugged years ago; however, none of the operators has not been cited for not completing the final reclamations on any of the 2200 original wells. They have basically been awarded tens of millions of dollars for avoiding their duty.**

7. According to the GAO, one of the reasons cited by BLM officials for a lack of bond adequacy reviews and other reviews of idle and orphaned wells was the “higher priority placed on other BLM activities such as completing APDs [Application for Permit to Drill].” What actions is the BLM taking to properly prioritize these reviews in comparison to other agency missions such as issuing more drilling permits?

**Why regain control of a process that is generously loose? Why clean up the current mess when you can continue to create more mess? Why does the BLM continue to issue APD's when the operators are not in compliance with the BLM's on rules when constructing the**

location and the access road. The BLM's 9113 Road Manual requires the operator to complete engineering analysis on the hydrologic and hydraulic drainage in the designated area; however, no records of such analysis exist. These roads are to be designed by a qualified person; however, they are currently being designed by the Dozer Operator. Therefore, why is the BLM allowing the legacy to exist and adding to the legacy daily. Why does providing the operator with another APD more important than producing the resource responsible? The harvesting of the resources can be completed with little environmental impact if the current rules, standards, laws, and orders are simply followed.

Mr. Morgan let's not forget that the prior District Manager now represents the New Mexico Oil and Gas Association. Mr. Heinke received generous gifts from the industry during his time in office. His lack of accountability has rewarded that Oil and Gas Industry with hundreds of millions of dollars of avoided costs. Now the Taxpayer is left with the mess as the BLM continues to issue APD's.

Mr. Morgan I have attached several correspondences for your review. We are currently working with the FFO to address our concerns; however, progress has been slow. We are hoping the Mr. Evans has enough authority to begin the corrections. I am also copying this correspondence to the following:

Jim Dumont – Senator Bingaman's Farmington office

Gwen Lachelt – National Director for the Oil and Accountability Project (OGAP)

Mike Eisenfield – Director for the San Juan Citizens Alliance

Don Schrieber- Devil Springs Ranch.

Dave Evans – FFO BLM

Sincerely yours,

Jeff Kramme

**Bloomfield, NM, 87413**

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